

**PELLA COMMUNITY SCHOOL DISTRICT**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2013**



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**Pella Community School District  
Board of Education and School District Officials  
Year Ended June 30, 2013**

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
(Before September 2012 Election)		
Joan Corbin	President	2013
Gregg Gustafson	Vice President	2013
Katie Peterson	Board Member	2015
Timothy Tripp	Board Member	2015
Martin Wesemann	Board Member	2015
(After September 2012 Election)		
Joan Corbin	President	2013
Martin Wesemann	Vice President – Resigned January 2013	2015
Gregg Gustafson	Vice President – Effective February 2013	2013
Katie Peterson	Board Member	2015
Timothy Tripp	Board Member	2015
Gary Coppock	Board Member	2015
<b>School District Officials</b>		
Greg Ebeling	Superintendent	2013
Roger De Waard	District Secretary/Treasurer	2013
Ahlers & Cooney	Attorney	Indefinite

## **Independent Auditor's Report**

To the Board of Education  
Pella Community School District  
Pella, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Pella Community School District, Pella, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Pella Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 45 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pella Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012, (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 28, 2013, on our consideration of the Pella Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pella Community School District's internal control over financial reporting

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

October 28, 2013

## Management Discussion and Analysis

The Pella Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### Financial Highlights

- General Fund revenues for FY13 were \$20,721,201 compared to \$20,612,029 for FY12. This was an increase of \$109,172 or 0.53%.
- General Fund expenditures for FY13 were \$20,626,684 compared to \$19,798,199 for FY12. This was an increase of \$828,485 or 4.18%.
- The District's General Fund unassigned fund balance for FY13 was \$2,579,485 compared to \$2,481,175 for FY12. This was an increase of \$98,310 or 3.96%.
- The Financial Solvency Ratio is an accepted measure of the district's financial health and is calculated by taking the undesignated, unreserved fund balance divided by the total revenues. This ratio increased from 12.04% in FY12 to 12.44% in FY13. The District attempts to target a solvency ratio between 5% and 10%.
- The District ended FY12 with a special education deficit of \$782,520. This compares to \$456,117 for FY12, an increase of \$326,403.
- In general, the 2012-2013 School Year was a positive one financially. An increase in State Foundation Aid helped bolster the financial position of the district. While the on-going stability and predictability of future funding remains somewhat questionable, the district is well positioned to withstand these challenges.
- A ten year comparison of the District's assessed valuations, tax increment financing and total tax rates are as follows:

Year	Assessed Valuation	Tax Increment Financing	Total Tax Rate - %
2012-2013	\$ 708,484,429	15,028,484	14.36515
2011-2012	621,722,509	52,619,101	14.21433
2010-2011	603,931,771	49,332,363	13.99439
2009-2010	603,548,029	34,192,965	13.83649
2008-2009	551,197,053	58,983,585	13.84418
2007-2008	478,010,818	72,596,699	13.88073
2006-2007	470,138,907	68,740,308	13.41259
2005-2006	463,535,140	66,071,157	13.52362
2004-2005	458,097,534	65,307,399	13.57896
2003-2004	477,138,783	60,053,193	13.31915
2002-2003	470,594,593	46,139,452	13.15690
2001-2002	442,301,775	31,155,430	13.66552

The assessed valuation for the 2004-2005 school year dropped due to the state imposed agriculture rollback.

## Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

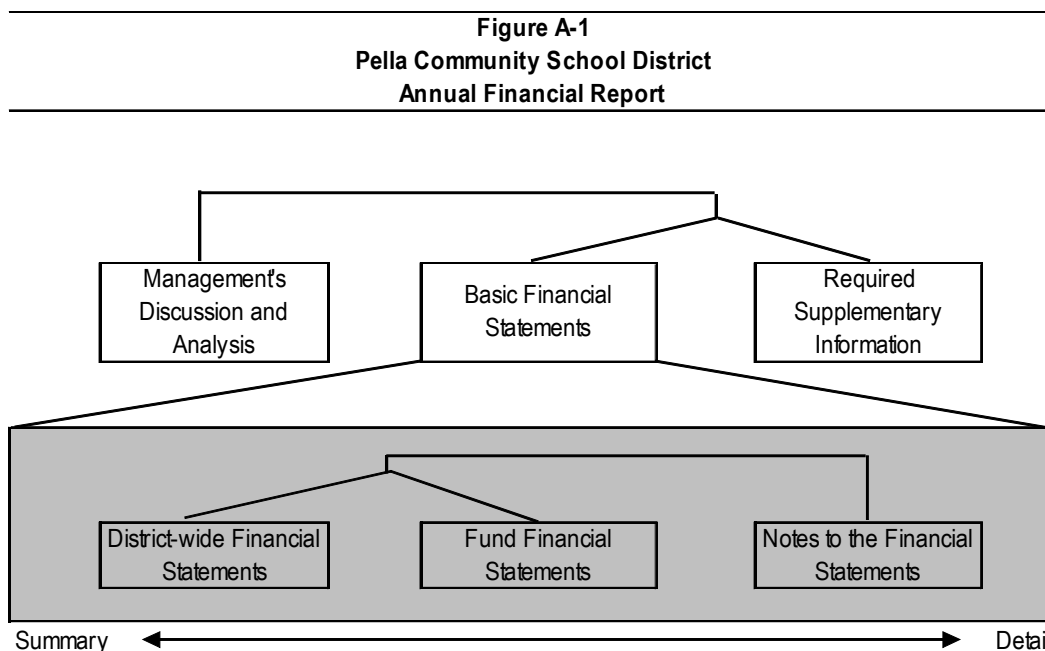




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b>				
<b>Major Features of the District-wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of Net Position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of revenues, expenses and changes in fund net position * Statement of cash flows	* Statement of fiduciary net position * Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Common names of district funds included	All funds with the exception of scholarship funds	General, PPEL, Management, Student Activity, Debt Service, Capital Projects	Nutrition Fund, Community Services	Special Projects

## **District-wide Statements**

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school food service program would be included here.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

*Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

*Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

*Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

**Net position** – Figure A-3 below provides a summary of the District's net position for the year ended June 30, 2013 compared to 2012.

**Figure A-3**  
**Condensed Statement of Net Position**

	<b>Governmental Activities</b>		<b>Business type activities</b>		<b>Total</b>		<b>Total Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2012-2013</b>
Current assets	\$ 29,482,865	27,385,499	442,967	507,715	29,925,832	27,893,214	7.3%
Noncurrent assets	31,021,158	31,034,289	191,976	216,528	31,213,134	31,250,817	-0.1%
Total assets	60,504,023	58,419,788	634,943	724,243	61,138,966	59,144,031	3.4%
Current liabilities	15,073,983	14,113,571	10,359	20,005	15,084,342	14,133,576	6.7%
Noncurrent liabilities	20,848,878	21,675,542	47,998	35,893	20,896,876	21,711,435	-3.8%
Total liabilities	35,922,861	35,789,113	58,357	55,898	35,981,218	35,845,011	0.4%
Net Position:							
Invested in capital assets, net of related debt	18,985,991	17,884,903	191,976	248,239	19,177,967	18,133,142	5.8%
Restricted	3,535,728	2,629,341	-	-	3,535,728	2,629,341	34.5%
Unrestricted	2,059,443	2,116,431	384,610	368,049	2,444,053	2,484,480	-1.6%
Total Net Position	\$ 24,581,162	22,630,675	576,586	616,288	25,157,748	23,246,963	8.2%

The District's combined net position increased by 8.2% from \$23,246,963 to \$25,157,748.

Changes in net position – Figure A-4 shows the changes in net position for the year ended June 30, 2013

**Figure A-4**  
**Changes in Net Position**

	<b>Governmental activities</b>		<b>Business type activities</b>		<b>Total District</b>		<b>Total</b>
	<b>Year ended June 30,</b>		<b>Year ended June 30,</b>		<b>Year ended June 30,</b>		<b>Change</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2012-2013</b>
<b>Revenues:</b>							
Program revenues:							
Charges for services	\$1,877,142	1,894,161	769,758	770,670	2,646,900	2,664,831	-0.67%
Operating grants and contributions	2,886,698	3,008,776	326,910	380,952	3,213,608	3,389,728	-5.20%
General Revenues:							
Local taxes	10,131,601	9,560,285	-	-	10,131,601	9,560,285	5.98%
Statewide sales, services and use tax	2,045,168	1,858,411	-	-	2,045,168	1,858,411	10.05%
Unrestricted state grants	9,028,760	8,840,862	-	-	9,028,760	8,840,862	2.13%
Investment earnings	82,059	28,614	1,412	554	83,471	29,168	186.17%
Other	245,420	405,545	-	-	245,420	405,545	-39.48%
Total revenues	26,296,848	25,596,654	1,098,080	1,152,176	27,394,928	26,748,830	2.42%
<b>Expenses:</b>							
Program expenses:							
Instruction	16,036,643	15,079,132	-	-	16,036,643	15,079,132	6.35%
Support services - students & staff	1,708,065	1,531,212	-	-	1,708,065	1,531,212	11.55%
Support services - administration	1,738,223	1,516,575	-	-	1,738,223	1,516,575	14.62%
Operations and maintenance	2,145,431	2,045,270	-	-	2,145,431	2,045,270	4.90%
Transportation	1,008,461	997,795	-	-	1,008,461	997,795	1.07%
Non-instructional activities	84,396	86,187	1,189,839	1,100,119	1,274,235	1,186,306	7.41%
Other expenditures	1,625,142	1,731,037	-	-	1,625,142	1,731,037	-6.12%
Total expenses	24,346,361	22,987,208	1,189,839	1,100,119	25,536,200	24,087,327	6.02%
Change in Net Position	\$1,950,487	2,609,446	(91,759)	52,057	1,858,728	2,661,503	-30.16%

**Governmental Activities**

Local taxes and unrestricted state grants account for 72.9 percent of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 93.0 percent of the total expenses.

Revenues for governmental activities were \$26,296,848 and expenses were \$24,346,361, resulting in a net asset increase of \$1,950,487.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**

	<b>Total Cost of Services</b>		<b>Change</b>	<b>Net Cost of Services</b>		<b>Change</b>
	<b>2013</b>	<b>2012</b>	<b>2012-2013</b>	<b>2013</b>	<b>2012</b>	<b>2012-2013</b>
Instruction	\$ 16,036,643	15,079,132	6.3%	12,262,163	11,142,957	10.0%
Support services	6,600,180	6,090,852	8.4%	6,443,141	5,942,563	8.4%
Non-instructional programs	84,396	86,187	-2.1%	84,396	86,187	-2.1%
Other expenses	1,625,142	1,731,037	-6.1%	792,821	912,564	-13.1%
Totals	\$ 24,346,361	22,987,208	5.9%	19,582,521	18,084,271	8.3%

- The cost financed by users of the District's programs was \$1,877,142.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,886,698.
- The net cost of governmental activities was financed with \$10,131,601 in local taxes, \$9,028,760 in unrestricted state grants, \$2,045,168 in local option sales and services tax, \$82,059 in interest income and \$245,420 in other income.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$1,098,080 and expenses were \$1,189,839. The District's business-type activities include Families First and the School Nutrition Fund. The School Nutrition Fund, however, accounts for 96.0 percent of the business-type activity. Revenues of these activities were comprised of \$725,882 in charges for service, \$326,910 for federal and state reimbursements and investment income of \$1,356. The net position for business-type activities decreased by \$91,759.

### **Financial Analysis of the District's Funds**

As previously noted, the Pella Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$16,133,484. This compares to \$15,187,208 last year, an increase of \$946,276. This fund balance includes \$9,434,227 in restricted fund balance held for the future retirement of long-term debt. Without that restricted amount the fund balance increased \$1,105,928. The majority of this increase was due to improved financial conditions compared to last year.

### **Governmental Fund Highlights**

- The General Fund balance increased \$108,890 from \$3,133,590 to \$3,242,480.
- The Activity Fund balance increased \$19,716 from \$248,026 to \$267,742.
- The Management Fund balance decreased \$70,025 from \$370,261 to \$300,236.
- The Physical Plant & Equipment Levy (PPEL) Fund balance increased \$73,583 from \$263,114 to \$336,697.
- The Statewide Sales, Services and Use Tax Fund balance increased \$973,747 from \$1,578,338 to \$2,552,085. The Statewide Sales, Services and Use Tax generated \$2,045,168. The District receives money from Jasper, Mahaska and Marion Counties. Interest income was \$11,139.
- The Debt Service Fund balance decreased \$159,652 from \$9,593,879 to \$9,434,227. In April, 2013 the district received voter approval to issue an additional 29.1 million GO Bond to fund facility improvements. School Infrastructure Local Option Sales Taxes will be used to maintain a debt service levy of \$2.72/\$1,000 or less, which is \$.50 more than the FY12 rate.

### **Proprietary Fund Highlights**

The District's Proprietary Funds include the School Nutrition Fund and Families First.

- The School Nutrition Fund net position decreased \$80,966, from \$646,336 to \$565,370.
- Families First is a community services oriented program. The revenues and expenditures of this program also run through the District's financial accounting records. This program is dependent upon contributions, grants and some user fees for its operation. The balance in this fund decreased \$10,793 from \$22,009 to \$11,216.

## Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 42 and 43.

## Legal Budgetary Highlights

The District's total actual receipts were \$649,529 more than the total budgeted receipts, a variance of 2.4%. Total expenditures were \$2,189,047 more than the total budgeted expenditures, a variance of 8.7%.

## Capital Asset and Debt Administration

### Capital Assets

At June 30, 2013, the District had invested \$31,144,545, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, musical instruments, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,756,248.

The original cost of the District's capital assets was \$54,303,332. Governmental funds account for \$53,249,492 with the remaining \$1,053,840 in the School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business Type activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$ 1,690,900	1,690,900	-	-	1,690,900	1,690,900	0.0%
Buildings	24,327,698	25,054,610	-	-	24,327,698	25,054,610	-2.9%
Improvements other than buildings	2,441,987	2,635,881	-	-	2,441,987	2,635,881	-7.4%
Furniture and equipment	2,491,984	1,578,512	191,976	216,528	2,683,960	1,795,040	49.5%
Totals	\$ 30,952,569	30,959,903	191,976	216,528	31,144,545	31,176,431	-0.1%

### Long-Term Debt

At June 30, 2013, the District had \$20,200,000 in general obligation bonds and other long-term debt. This is a decrease of \$1,120,000 from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

**Figure A-7**  
**Outstanding Long-Term Obligations**

	June 30,		Total Change
	2013	2012	
General obligation bonds	\$ 20,200,000	21,320,000	-5.3%
Revenue bonds	725,000	1,415,000	-48.8%
Capital lease	701,578	-	100.0%
Early retirement	579,806	604,699	-4.1%
Compensated absences	32,822	31,882	2.9%
Other postemployment benefits	592,587	443,141	33.7%
Totals	\$ 22,831,793	23,814,722	-4.1%

**Pella Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2013**

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The District had total outstanding bonded indebtedness at June 30, 2013 of \$20,200,000. This represents three separate bond issues, one of which will be retired in FY13 and the other which will be refunded in 2015. The third bond issue will be used to refund the second issue in 2015. The proceeds from this issue are currently being held in escrow until the refunding occurs. The District also has two outstanding revenue bond issues totaling \$725,000 as of June 30, 2013. Both of those issues will be retired in FY14.

The District also has a long-term debt obligation for its early retirement plan, which was \$579,806 at June 30, 2013. Retiring employees are currently allowed to receive payments until they reach age 65. This obligation is paid from the District's Management Fund. Other postemployment benefits total \$592,587.

### **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The October, 2013 enrollment reduced again by 52 students. This decrease will reduce funding for the 2014-2015 school year. Allowable growth has been set at 4% for 2014-2015, which will help offset some of the loss in funding due to the enrollment decrease.
- The District's transportation fleet remains in good shape overall. This past year two buses and two support vehicles were purchased.
- Pella is home to the corporate headquarters of Pella Corporation and Vermeer Manufacturing. The current economic environment seems to have stabilized at this point, and neither Pella Corporation nor Vermeer Manufacturing has experienced any layoffs of employees in the past year. The property tax base remains solid at this point and housing starts continue, though not nearly as strong as in the past.
- The Pella Community School District is very unique in that it does not have a collective bargaining agreement with its teachers. There continues to be a very amicable relationship between management and labor.
- There were no significant changes in leadership during the past year.
- All in all, the 2012-2013 school-year was a good year financially. The 2013-2014 school year seems manageable at this point thanks to improved funding, but the District remains cautious about any potential adverse action by the Legislature that could negatively impact funding.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Roger DeWaard, Business Manager, Pella Community School District, 210 E. University, P.O. Box 468, Pella, Iowa, 50219.

## **Basic Financial Statements**



**Exhibit A**
**Pella Community School District**  
**Statement of Net Position**  
**June 30, 2013**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 16,882,799	416,977	17,299,776
Receivables:			
Property tax:			
Delinquent	52,784	-	52,784
Succeeding year	10,234,882	-	10,234,882
Due from other governments	2,159,419	-	2,159,419
Inventories	23,245	21,924	45,169
Prepaid expense	129,736	4,066	133,802
Total current assets	29,482,865	442,967	29,925,832
Noncurrent assets:			
Bond discounts, amortized, net	68,589	-	68,589
Capital assets:			
Capital assets, nondepreciable	1,690,900	-	1,690,900
Capital assets, depreciable, net	29,261,669	191,976	29,453,645
Total noncurrent assets	31,021,158	191,976	31,213,134
<b>Total assets</b>	<b>\$ 60,504,023</b>	<b>634,943</b>	<b>61,138,966</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 275,689	9,729	285,418
Salaries and benefits payable	1,759,841	630	1,760,471
Accrued interest payable	58,036	-	58,036
Unearned revenue:			
Succeeding year property tax	10,234,882	-	10,234,882
Other	720,618	-	720,618
Deposits payable	90,000	-	90,000
Capital leases payable	228,744	-	228,744
General obligation bonds payable	680,000	-	680,000
Revenue bonds payable	725,000	-	725,000
Early retirement	268,351	-	268,351
Compensated absences	32,822	-	32,822
Total current liabilities	15,073,983	10,359	15,084,342
Noncurrent liabilities:			
Capital leases payable	472,834	-	472,834
General obligation bonds payable	19,520,000	-	19,520,000
Early retirement	311,455	-	311,455
Other post employment benefits	544,589	47,998	592,587
Total noncurrent liabilities	20,848,878	47,998	20,896,876
<b>Total liabilities</b>	<b>35,922,861</b>	<b>58,357</b>	<b>35,981,218</b>

**Exhibit A****Pella Community School District  
Statement of Net Position  
June 30, 2013**

	Governmental Activities	Business Type Activities	Total
<b>Net Position</b>			
Net investment in capital assets	18,985,991	191,976	19,177,967
Restricted for:			
Categorical funding	510,014	-	510,014
Physical plant and equipment levy	336,714	-	336,714
Student activities	267,742	-	267,742
School infrastructure	2,163,585	-	2,163,585
Debt service	388,500	-	388,500
Purpose restricted	152,982	-	152,982
Unrestricted	1,775,634	384,610	2,160,244
<b>Total net position</b>	<b>24,581,162</b>	<b>576,586</b>	<b>25,157,748</b>
<b>Total liabilities and net position</b>	<b>\$ 60,504,023</b>	<b>634,943</b>	<b>61,138,966</b>

See notes to financial statements.

Exhibit B

Pella Community School District  
Statement of Activities  
Year Ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Functions/Programs					Total
Governmental activities:					
Instruction:					
Regular	\$ 9,827,823	821,194	1,497,023	(7,509,606)	- (7,509,606)
Special	3,031,648	366,832	382,420	(2,282,396)	- (2,282,396)
Other	3,177,172	667,740	39,271	(2,470,161)	- (2,470,161)
	16,036,643	1,855,766	1,918,714	(12,262,163)	- (12,262,163)
Support Service:					
Student	539,172	-	-	(539,172)	- (539,172)
Instructional staff	1,168,893	-	-	(1,168,893)	- (1,168,893)
Administration	1,738,223	-	-	(1,738,223)	- (1,738,223)
Operating and maintenance of plant	2,145,431	21,376	135,663	(1,988,392)	- (1,988,392)
Transportation	1,008,461	-	-	(1,008,461)	- (1,008,461)
	6,600,180	21,376	135,663	(6,443,141)	- (6,443,141)
Non-instructional programs	84,396	-	-	(84,396)	- (84,396)
Other expenditures:					
Long-term debt interest	781,991	-	-	(781,991)	- (781,991)
AEA flowthrough	832,321	-	832,321	-	- -
Depreciation (unallocated)*	10,830	-	-	(10,830)	- (10,830)
	1,625,142	-	832,321	(792,821)	- (792,821)
Total governmental activities	24,346,361	1,877,142	2,886,698	(19,582,521)	- (19,582,521)
Business type activities:					
Non-instructional programs:					
Community services	53,904	43,055	-	-	(10,849) (10,849)
Nutrition services	1,135,935	726,703	326,910	-	(82,322) (82,322)
Total business type activities	1,189,839	769,758	326,910	-	(93,171) (93,171)
Total primary government	\$ 25,536,200	2,646,900	3,213,608	(19,582,521)	(93,171) (19,675,692)

Exhibit B

Pella Community School District  
Statement of Activities  
Year Ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
	Expenses	Charges for Service				
<b>Totals continued from previous pages</b>	<b>\$ 25,536,200</b>	<b>2,646,900</b>	<b>3,213,608</b>	<b>(19,582,521)</b>	<b>(93,171)</b>	<b>(19,675,692)</b>
General Revenues:						
Property tax levied for:						
General purposes				7,885,654	-	7,885,654
Debt service				1,550,454	-	1,550,454
Capital outlay				695,493	-	695,493
Statewide sales, services and use tax				2,045,168	-	2,045,168
Unrestricted state grants				9,028,760	-	9,028,760
Unrestricted investment earnings				82,059	1,412	83,471
Contributions not restricted to specific programs				32,743	-	32,743
Gain on disposal of capital assets				14,373	-	14,373
Other				198,304	-	198,304
Total general revenues				21,533,008	1,412	21,534,420
Change in net position				1,950,487	(91,759)	1,858,728
Net position beginning of year				22,630,675	668,345	23,299,020
Net position end of year				\$ 24,581,162	576,586	25,157,748

\*This amount excludes the depreciation included in the direct expenses of the various programs

See notes to financial statements.

**Exhibit C**

**Pella Community School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
<b>Assets</b>					
Cash and pooled investments	\$ 4,134,703	9,442,422	2,433,875	871,799	16,882,799
Receivables:					
Property tax:					
Current year delinquent	37,992	8,343	3,742	2,707	52,784
Succeeding year	6,937,321	1,974,047	723,513	600,001	10,234,882
Due from other governments	1,604,331	35	555,042	11	2,159,419
Inventories	23,245	-	-	-	23,245
Prepaid expenses	129,736	-	-	-	129,736
<b>Total assets</b>	<b>\$ 12,867,328</b>	<b>11,424,847</b>	<b>3,716,172</b>	<b>1,474,518</b>	<b>29,482,865</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 232,026	16,573	13,860	13,230	275,689
Salaries and benefits payable	1,734,883	-	-	24,958	1,759,841
Deposits payable	-	-	90,000	-	90,000
Deferred revenue:					
Succeeding year property tax	6,937,321	1,974,047	723,513	600,001	10,234,882
Other	720,618	-	-	-	720,618
Early retirement payable	-	-	-	268,351	268,351
<b>Total liabilities</b>	<b>9,624,848</b>	<b>1,990,620</b>	<b>827,373</b>	<b>906,540</b>	<b>13,349,381</b>
Fund balances:					
Nonspendable for:					
Inventories	23,245	-	-	-	23,245
Prepaid expense	129,736	-	-	-	129,736
Restricted for:					
Categorical funding	510,014	-	-	-	510,014
Debt service	-	9,434,227	388,500	-	9,822,727
Management levy purposes	-	-	-	300,236	300,236
Student activities	-	-	-	267,742	267,742
School infrastructure	-	-	2,163,585	-	2,163,585
Physical plant and equipment	-	-	336,714	-	336,714
Unassigned	2,579,485	-	-	-	2,579,485
<b>Total fund balances</b>	<b>3,242,480</b>	<b>9,434,227</b>	<b>2,888,799</b>	<b>567,978</b>	<b>16,133,484</b>
<b>Total liabilities and fund balances</b>	<b>\$ 12,867,328</b>	<b>11,424,847</b>	<b>3,716,172</b>	<b>1,474,518</b>	<b>29,482,865</b>

See notes to financial statements.

**Exhibit D****Pella Community School District  
Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Position  
June 30, 2013**

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**Total fund balances of governmental funds (Exhibit C)** **\$ 16,133,484**

***Amounts reported for governmental activities in the  
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 30,952,569

Long-term liabilities, including bonds and notes payable, compensated absences and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Those liabilities at year-end consist of:

General obligation bonds payable	\$ (20,200,000)	
Revenue bonds payable	(725,000)	
Capital lease	(701,578)	
Bond discounts	68,589	
Accrued interest	(58,036)	
Early retirement	(579,806)	
Portion of early retirement reflected on governmental funds	268,351	
Compensated absences	(32,822)	
Other post employment benefits	(544,589)	(22,504,891)

**Net position of governmental activities (Exhibit A)** **\$ 24,581,162**

See notes to financial statements.

**Exhibit E**

**Pella Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**Year ended June 30, 2013**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Revenues:					
Local sources:					
Local tax	\$ 7,415,914	1,550,454	2,740,661	469,740	12,176,769
Tuition	894,493	-	-	-	894,493
Other	309,448	52,744	22,399	724,450	1,109,041
State sources	11,542,150	465	209	152	11,542,976
Federal sources	559,196	-	-	-	559,196
Total revenues	20,721,201	1,603,663	2,763,269	1,194,342	26,282,475
Expenditures:					
Current:					
Instruction:					
Regular instruction	8,396,463	-	1,084,144	360,738	9,841,345
Special instruction	2,850,721	-	-	-	2,850,721
Other instruction	2,351,934	-	-	702,712	3,054,646
	13,599,118	-	1,084,144	1,063,450	15,746,712
Support services:					
Student services	505,932	-	-	996	506,928
Instructional staff services	1,117,606	-	19,645	597	1,137,848
Administration services	1,663,331	-	152,199	6,179	1,821,709
Operation and maintenance of plant services	1,909,040	-	105,936	141,136	2,156,112
Transportation services	999,336	-	52,735	32,293	1,084,364
	6,195,245	-	330,515	181,201	6,706,961
Other expenditures:					
Facilities acquisition	-	-	164,600	-	164,600
Long-term debt:					
Principal	-	2,054,319	-	-	2,054,319
Interest and fiscal charges	-	791,556	-	-	791,556
AEA flowthrough	832,321	-	-	-	832,321
	832,321	2,845,875	164,600	-	3,842,796
Total expenditures	20,626,684	2,845,875	1,579,259	1,244,651	26,296,469
Excess (deficiency) of revenues over (under) expenditures	94,517	(1,242,212)	1,184,010	(50,309)	(13,994)

**Exhibit E****Pella Community School District  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
Year ended June 30, 2013**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Other financing sources (uses):					
Proceeds from sale of assets	14,373	-	-	-	14,373
Capital lease	-	-	945,897	-	945,897
Operating transfers in	-	1,082,560	-	-	1,082,560
Operating transfers out	-	-	(1,082,560)	-	(1,082,560)
Total other financing sources (uses)	14,373	1,082,560	(136,663)	-	960,270
Net change in fund balances	108,890	(159,652)	1,047,347	(50,309)	946,276
Fund balances beginning of year	3,133,590	9,593,879	1,841,452	618,287	15,187,208
Fund balances end of year	\$ 3,242,480	9,434,227	2,888,799	567,978	16,133,484

See notes to financial statements.



**Exhibit F**

**Pella Community School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds to the Statement of Activities**  
**Year ended June 30, 2013**

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**Net change in fund balances - total governmental funds (Exhibit E)** **\$ 946,276**

***Amounts reported for governmental activities in the statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 766,316	
Less current year depreciation	<u>(1,719,547)</u>	(953,231)

Fixed assets acquired by capital lease are shown as an expenditure and other financing source in the governmental funds. Equipment financed by the lease was capitalized and is being depreciated. The capital outlay for the assets purchased by the lease must be added to the Statement of Activities, the other financing source must be removed from the Statement of Activities and principal payments are applied to the lease liability. Current year items are as follows:

Capital outlay by capital lease	945,897	
Other financing source - capital lease	(945,897)	
Payments of capital lease principal principal	<u>244,319</u>	244,319

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of issuance costs and premiums, whereas these amounts are deferred in and amortized in the Statement of Activities. Current year items are as follows:

Repayments of bond and note principal	1,810,000	
Amortization of discount costs	<u>(5,797)</u>	1,804,203

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

15,362

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	31,839	
Compensated absences	(940)	
Other postemployment benefits	<u>(137,341)</u>	(106,442)

**Change in net position of governmental activities (Exhibit B)** **\$ 1,950,487**

**Exhibit G**

**Pella Community School District**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

	Non-Major Enterprise Funds
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 416,977
Inventories	21,924
Prepaid expense	4,066
Total current assets	<u>442,967</u>
Noncurrent assets:	
Property and equipment:	
Machinery and equipment	1,053,840
Accumulated depreciation	<u>(861,864)</u>
Total noncurrent assets	<u>191,976</u>
<b>Total assets</b>	<u><u>\$ 634,943</u></u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 9,729
Salaries and benefits payable	630
Total current liabilities	<u>10,359</u>
Noncurrent liabilities:	
Other postemployment benefits	<u>47,998</u>
<b>Total liabilities</b>	<u>58,357</u>
<b>Net Position</b>	
Invested in capital assets, net of related debt	191,976
Unrestricted	<u>384,610</u>
<b>Total Net Position</b>	<u>576,586</u>
<b>Total liabilities and net position</b>	<u><u>\$ 634,943</u></u>

See notes to financial statements.

**Exhibit H****Pella Community School District  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
Year Ended June 30, 2013**

	<u>Non-Major Enterprise Funds</u>
Operating revenue:	
Local sources:	
Operating revenues	<u>\$ 769,758</u>
Operating expenses:	
Non-instructional programs:	
Community service operations:	
Other	53,904
Food service operations:	
Depreciation	36,701
Other	1,099,234
Total operating expenses	<u>1,189,839</u>
Operating loss	<u>(420,081)</u>
Non-operating revenue:	
Local sources	1,412
State sources	8,887
Federal sources	318,023
Total non-operating revenue	<u>328,322</u>
Increase(Decrease) in net position	(91,759)
Net position beginning of year	<u>668,345</u>
Net position end of year	<u><u>\$ 576,586</u></u>

See notes to financial statements.

**Exhibit I**

**Pella Community School District**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2013**

	Non-Major Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 725,882
Cash received from service tuition, fees and other sources	43,876
Cash payments to employees for services	(541,421)
Cash payments to suppliers for goods or services	(537,211)
Net cash used by operating activities	<u>(308,874)</u>
Cash flows from non-capital financing activities:	
State grants received	8,887
Federal grants received	262,717
Net cash provided by non-capital financing activities	<u>271,604</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(12,149)
Net cash used by capital and related financing activities	<u>(12,149)</u>
Cash flows from investing activities:	
Interest on investments	1,412
Purchase of investments	(11,768)
Net cash used by investing activities	<u>(10,356)</u>
Net decrease in cash and cash equivalents	(59,775)
Cash and cash equivalents at beginning of year	<u>427,303</u>
Cash and cash equivalents at end of year	<u><u>\$ 367,528</u></u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (420,081)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities	55,306
Depreciation	36,701
Decrease in inventories	12,300
Decrease in prepaid expense	4,441
Increase in accounts payable	4,919
(Decrease) in salaries and benefits payable	(14,565)
Increase in other postemployment benefits payable	12,105
Net cash used by operating activities	<u><u>\$ (308,874)</u></u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash and investments	\$ 416,977
Less items not meeting definition of cash equivalents:	
Certificates of deposit	(49,449)
Cash and cash equivalents at year end	<u><u>\$ 367,528</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2013, the District received federal commodities valued at \$55,306.

See notes to financial statements.

**Exhibit J****Pella Community School District  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2013**

	Private Purpose Trust	Expendable Trust
	Scholarship	Special Projects
<b>Assets</b>		
Current assets:		
Cash and pooled investments	\$ 94,137	60,911
<b>Total assets</b>	<b>94,137</b>	<b>60,911</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>
<b>Net position</b>		
Held in trust for scholarships and special projects	94,137	60,911
<b>Total Net Position</b>	<b>\$ 94,137</b>	<b>60,911</b>

See notes to financial statements.

**Exhibit K****Pella Community School District  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended June 30, 2013**

	Private Purpose Trust	Expendable Trust
	Scholarship	Special Projects
Additions:		
Local sources:		
Contributions and donations	\$ -	39,453
Interest	536	-
Total revenues	536	39,453
Deductions:		
Instruction:		
Supplies	-	48,939
Other	5,000	-
Total expenditures	5,000	48,939
Change in net position	(4,464)	(9,486)
Net position beginning of year	98,601	70,397
Net position end of year	\$ 94,137	60,911

See notes to financial statements.

**(1) Summary of Significant Accounting Policies**

Pella Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Pella, Iowa. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Pella Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Pella Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marion County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

**Governmental Fund Types:** Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

**Proprietary Fund Types:** Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:



Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise funds of the District are considered non-major:

Community Services: This fund accounts for child after school operations and for community-family service operations authorized by Iowa Code 298A.12 and 279.49.

Nutrition Services: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

**Fiduciary Fund Types:** Fiduciary funds account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund types:

Private Purpose Trust Fund: These funds account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

Expendable Trust Fund: These funds account for assets held by the District for special projects of the District with funds given by individuals, private organizations and other governments.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted Net Position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as demand deposits. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents in that fund. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The monies are either maintained in a central bank account or used to purchase legal investments.

It is the policy of the District to value investment contracts and money market investments with a maturity of one year or less at the time of purchase at cost or amortized cost. Investment contracts and money market investments that had a remaining maturity of greater than one year at the time of purchase are reported at fair value.

The District has invested funds in the Iowa Schools Joint Investment Trust (ISJIT). ISJIT is an investment pool managed by the trustee, Bankers Trust, which allows governments within the State to pool their funds for investment purposes. ISJIT is registered with the SEC as an investment company and operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments in ISJIT are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expense when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax receivable.

Unearned revenue on the Statement of Net Position consists of unspent grant proceeds as well as the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

*Unassigned* – All amounts not included in other spendable classifications.

Restricted Net Position – In the Government-wide Statement of Net Position, Net Position are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the instruction, support services, non-instructional and other expenditures functions.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the District had investments in the following:

Iowa Schools Joint Investment Trust	
Diversified Portfolio	\$ 224,450
US Treasury Notes	9,396,215
Certificates of deposit	243,500
	<u>\$ 9,864,165</u>

Interest rate risk. As a means of limiting exposure to fair value losses arising from rising interest rates, the District's investment policy requires operating funds to be invested in investments that mature within three hundred and ninety-seven days or less. When investing other than operating funds, the investments must mature according to the needs of the funds. Operating funds of the District are funds which are reasonably expected to be used during a current budget year or within fifteen months of receipt.

Credit risk. The investments in the Iowa Schools Joint Investment Trust is rated Aaa by Moody's Investors Service. The fair value of the District's position in these programs is the same as the value of the program shares. The District is authorized by statute to invest public funds not currently needed for operating expenses in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa, and certain joint investment trusts. The District may also invest in commercial paper or other short-term corporate debt that matures within two hundred seventy days that is rated in the highest classification, as established by at least one of the standard rating services approved by the superintendent of banking by rules adopted pursuant to Chapter 17A, provided that at the time of purchase no more than five percent of the investment portfolio shall be invested in the securities of a single issuer.

Concentration of credit risk. The District's investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the District to meet all anticipated cash requirements. The District's policy further restricts investments in short-term corporate debt and commercial paper to no more than 30 percent of the investment portfolio of the District and no more than 5 percent of the investment portfolio can be invested in the securities of a single issuer.

Custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Chapter 12c of the Code of Iowa requires all District funds be deposited into an approved depository and be either insured or collateralized.

### **(3) Interfund Transfers**

The *detail* of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 1,082,560
		<u>\$ 1,082,560</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,690,900	-	-	1,690,900
Construction in progress	-	-	-	-
Total capital assets not being depreciated	1,690,900	-	-	1,690,900
Capital assets being depreciated:				
Buildings	35,948,523	150,245	-	36,098,768
Improvements other than buildings	3,829,202	11,902	-	3,841,104
Furniture and equipment	10,244,667	1,550,066	176,013	11,618,720
Total capital assets being depreciated	50,022,392	1,712,213	176,013	51,558,592
Less accumulated depreciation for:				
Buildings	10,893,913	877,157	-	11,771,070
Improvements other than buildings	1,193,321	205,796	-	1,399,117
Furniture and equipment	8,666,155	636,594	176,013	9,126,736
Total accumulated depreciation	20,753,389	1,719,547	176,013	22,296,923
Total capital assets being depreciated, net	29,269,003	(7,334)	-	29,261,669
Governmental activities capital assets, net	\$ 30,959,903	(7,334)	-	30,952,569
<b>Business type activities:</b>				
Furniture and equipment	\$ 1,041,691	12,149	-	1,053,840
Less accumulated depreciation	825,163	36,701	-	861,864
Business type activities capital assets, net	\$ 216,528	(24,552)	-	191,976

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 982,459
Special education	151,613
Other	129,954

Support services:

Student support	33,006
Instructional staff	51,402
Administration	67,904
Operation and maintenance of plant	116,394
Transportation	143,496
Non-instructional programs	32,489

1,708,717

Unallocated

10,830

Total depreciation expense - governmental activities

\$ 1,719,547

Business type activities:

Food services

\$ 36,701

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governemntal activities:					
General obligation bonds	\$ 21,320,000	-	1,120,000	20,200,000	680,000
Revenue bonds	1,415,000	-	690,000	725,000	725,000
Capital leases	-	945,897	244,319	701,578	228,744
Early retirement	604,699	236,513	261,406	579,806	268,351
Compensated absences	31,882	32,822	31,882	32,822	32,822
Other postemployment benefits	407,248	149,547	12,206	544,589	-
Total governmental activities	\$ 23,778,829	1,364,779	2,359,813	22,783,795	1,934,917
Business type activities:					
Other postemployment benefits	\$ 35,893	13,181	1,076	47,998	-

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Bond Issue of June 1, 2005				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2014	4.00%	\$ 680,000	487,875	1,167,875
2015	4.00%	715,000	460,675	1,175,675
2016	4.00%	750,000	432,075	1,182,075
2017	4.50%	775,000	402,075	1,177,075
2018	4.50%	810,000	367,200	1,177,200
2019	4.50%	850,000	330,750	1,180,750
2020	5.00%	885,000	292,500	1,177,500
2021	5.00%	925,000	248,250	1,173,250
2022	5.00%	970,000	202,000	1,172,000
2023	5.00%	1,015,000	153,500	1,168,500
2024	5.00%	1,065,000	102,750	1,167,750
2025	4.50%	1,100,000	49,500	1,149,500
Subtotal		10,540,000	3,529,150	14,069,150

**Pella Community School District**  
**Notes to Financial Statements**  
**June 30, 2013**

Crossover Refunding Bond Issue of May 1, 2012				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2013		-	189,329	189,329
2014		-	174,765	174,765
2015		-	174,765	174,765
2016	1.10%	915,000	174,765	1,089,765
2017	1.10%	920,000	164,700	1,084,700
2018	1.35%	925,000	154,580	1,079,580
2019	1.55%	945,000	142,092	1,087,092
2020	1.75%	955,000	127,445	1,082,445
2021	1.90%	965,000	110,732	1,075,732
2022	2.10%	985,000	92,398	1,077,398
2023	2.20%	1,000,000	71,712	1,071,712
2024	2.35%	1,025,000	49,713	1,074,713
2025	2.50%	1,025,000	25,625	1,050,625
	Subtotal	9,660,000	1,652,621	11,312,621
Total				
Year ending June 30,		Principal	Interest	Total
2014		680,000	662,640	1,342,640
2015		715,000	635,440	1,350,440
2016		1,665,000	606,840	2,271,840
2017		1,695,000	566,775	2,261,775
2018		1,735,000	521,780	2,256,780
2019		1,795,000	472,842	2,267,842
2020		1,840,000	419,945	2,259,945
2021		1,890,000	358,982	2,248,982
2022		1,955,000	294,398	2,249,398
2023		2,015,000	225,212	2,240,212
2024		2,090,000	152,463	2,242,463
2025		2,125,000	75,125	2,200,125
Total		\$ 20,200,000	4,992,442	25,192,442

Crossover Refunding Bonds May 1, 2013

On May 1, 2012, the District issued \$9,660,000 in general obligation bonds to advance refund \$9,145,000 of outstanding general obligation bonds dated June 1, 2005 in a crossover type refunding. The proceeds of the refunding issue have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified to be sufficient to pay all principal and interest due on the Series 2005 bonds ("refunding bonds") after June 1, 2015 and interest on the Series 2012 bonds ("refunding bonds") through June 1, 2015. The new refunding bonds have been added to the appropriate financial statements and schedules. The district remains contingently liable in the remote possibility the account is insufficient to pay the refunding bonds. At June 30, 2013, \$10,540,000 of such bonds are outstanding. The district remains liable for the principal and interest on the non-callable portion of the bonds through fiscal year end 2015. The escrow fund pays interest on the new advance refunding bonds until that time. No advance payments on the June 1, 2005 general obligation bonds were paid in the current year and final payment to pay off these bonds is expected to take place June 1, 2015. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$955,557 and resulted in an economic gain of \$816,170.



#### Revenue Bonds

Details of the District's June 30, 2013 local option sales and services tax revenue bonded indebtedness are as follows:

Bond Issue of August 1, 2004				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2014	3.85%	205,000	7,892	212,892
	Subtotal	205,000	7,892	212,892
Bond Issue of May 1, 2009				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2014	3.375%	520,000	17,550	537,550
	Subtotal	520,000	17,550	537,550
Total				
Year ending June 30,		Principal	Interest	Total
2014		725,000	25,442	750,442
Total		\$ 725,000	25,442	750,442

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,750,000 bonds issued in August, 2004 and the \$2,135,000 bonds issued in May, 2009. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the August, 2004 and May, 2009 notes is \$212,892 and \$537,550, respectively. For the current year, principal of \$200,000 and interest of \$15,392 was paid on the August, 2004 bonds and principal of \$490,000 and interest of \$32,862 was paid on the May, 2009 bonds. Total statewide sales, services and use tax revenues were \$2,045,168.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$175,000 of the proceeds from the issuance of the revenue bonds issued in August, 2004 and \$213,500 of the proceeds from the issuance of the revenue bonds issued in May, 2009 must be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

#### Capital Leases

The district purchased \$945,897 of computer equipment through capital leasing arrangements in the capital projects fund in fiscal 2013. The computer equipment is used primarily in the classroom and includes software. The District paid an initial down payment of \$244,319 in fiscal 2013.

The future minimum lease obligations as of June 30, 2013, are as follows:

	Year ending June 30,	Capital Projects Fund
	2014	\$ 244,319
	2015	244,319
	2016	244,319
Total minimum lease payment		732,957
Amount representing interest		(31,379)
Present value of minimum lease payments		<u>\$ 701,578</u>

#### Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least ten years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

The early retirement incentive for each eligible employee is based on a percentage of the employee's final year's salary. The percentage used for calculation is based on years of service to the District. The percentage varies from 38% for 10 years of service to 57% for 15 or more years of experience.

Early retirement benefits are paid monthly over the number of months until the employee turns 65. If the retiree is of an age that these monthly payments would exceed 36 months, the retiree may request payment over 36 months.

At June 30, 2013, the District has obligations to 28 participants with a total liability of \$579,806. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$261,405.

#### **(6) Other Post-Employment Benefits (OPEB)**

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 322 active and 28 retired members in the plan. Participants must be age 55 or older at retirement and must have been employed full time by the District for a minimum of 10 years within the 12 consecutive years prior to the retirement year.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

**Pella Community School District**  
**Notes to Financial Statements**  
**June 30, 2013**

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 178,086
Interest on net OPEB obligation	11,079
Adjustment to ARC	<u>(26,437)</u>
Annual OPEB cost	162,728
Contributions made	<u>(13,282)</u>
Increase in net OPEB obligation	149,446
Net OPEB obligation beginning of year	<u>443,141</u>
Net OPEB obligation end of year	<u>\$ 592,587</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$13,282 to the medical plan. Plan members eligible for benefits contributed 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 133,198	38.40%	\$ 210,507
June 30, 2011	162,728	13.33%	325,178
June 30, 2012	135,325	12.83%	443,141
June 30, 2013	162,728	8.16%	592,587

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,102,880, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,102,880. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$11,868,905, and the ratio of the UAAL to covered payroll was 9.3%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$449 per month for retirees who have attained age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$1,114,815, \$1,005,537, and \$854,509, respectively, equal to the required contributions for each year.

**(8) Risk Management**

Pella Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$832,321 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Approved Bond Issue**

On April 2, 2013 the voters approved the issuance of up to \$29,100,000 in general obligation bonds. In July 2013, \$9,000,000 in general obligation bonds were issued.

The bond issue includes:

- Redesign entrances at the high school, middle school and Jefferson so all visitors enter through the main office for security measures. Other safety and security issues will be addressed as well (security cameras, door access/card readers, interior door locks, etc.)
- Build, furnish and equip a new elementary building to replace the current Lincoln Elementary School (location will be decided by School Board after reviewing survey results)
- Build, furnish and equip a career academy building (this will be a partnership between DMACC, Pella Community Schools, Pella Christian High School – students will be able to receive dual credit in ten career readiness areas of need.)

- Significant improvements will be made to the high school – common area, drop off/pick up, arts addition (including art department, choir room, scene shop, etc.), athletic renovation/addition (including wrestling room addition, fitness/weight room expansion, locker room addition/renovation), administration addition, bring faculty up to code for Americans with Disabilities Act
- Improvements to the middle school include: removal of three classrooms and create learning centers, renovate restrooms, replace partition walls with full height walls to resolve acoustic issue, add additional classroom space
- Improvements at Madison will be focused on the playground area (green space and drainage)
- At this time, the District is very aware of the heating/cooling and air ventilation issues. The Board, through other funds, plan to address these issues in the near future.

**(11) Commitments and Contingencies**

The District has signed contracts for heating, ventilation and air conditioning upgrades totaling \$782,600.

The District is the defendant in a lawsuit filed July 25, 2013. The lawsuit is in regard to discriminatory workplace practices. Although the District has insurance, any judgment for lost wages is not covered by insurance. The potential loss to the District would be less than \$230,000.

### **Required Supplementary Information**

**Pella Community School District**  
**Budgetary Comparison Schedule of Revenues, Expenditures and Change in Balances**  
**Budget and Actual - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year ended June 30, 2013**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original And Final	Final to Actual Variance- Positive (Negative)
Revenues:					
Local sources	\$ 14,180,303	771,170	14,951,473	14,162,622	788,851
Intermediate sources	-	-	-	-	-
State sources	11,542,976	8,887	11,551,863	11,746,404	(194,541)
Federal sources	559,196	318,023	877,219	822,000	55,219
Total revenues	26,282,475	1,098,080	27,380,555	26,731,026	649,529
Expenditures:					
Instruction	15,746,712	-	15,746,712	14,880,000	(866,712)
Support services	6,706,961	-	6,706,961	6,426,000	(280,961)
Noninstructional programs	-	1,189,839	1,189,839	1,065,000	(124,839)
Other expenditures	3,842,796	-	3,842,796	2,926,261	(916,535)
Total expenditures	26,296,469	1,189,839	27,486,308	25,297,261	(2,189,047)
Excess (deficiency) of revenues over (under) expenditures	(13,994)	(91,759)	(105,753)	1,433,765	(1,539,518)
Other financing sources, net	960,270	-	960,270	-	960,270
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	946,276	(91,759)	854,517	1,433,765	(579,248)
Balances beginning of year	15,187,208	668,345	15,855,553	6,404,408	9,451,145
Balances end of year	\$ 16,133,484	576,586	16,710,070	7,838,173	8,871,897

See accompanying independent auditor's report.

**Pella Community School District**  
**Notes to Required Supplementary Information - Budgetary Reporting**  
**Year Ended June 30, 2013**

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This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt a budget amendment.

During the year ended June 30, 2013, expenditures in the instruction, support services, non instructional programs and other expenditures functions exceeded the amounts budgeted.



**Pella Community School District**  
**Schedule of Funding Progress for the Retiree Health Plan**  
**Required Supplementary Information**  
**Year ended June 30, 2013**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	835,783	835,783	0.0%	\$ 10,942,327	7.6%
2010	July 1, 2008	-	835,783	835,783	0.0%	11,192,612	7.5%
2011	July 1, 2010	-	935,693	935,693	0.0%	11,304,748	8.3%
2012	July 1, 2010	-	938,941	938,941	0.0%	11,553,658	8.1%
2013	July 1, 2012	-	1,102,880	1,102,880	0.0%	11,868,905	9.3%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

## **Supplementary Information**

**Pella Community School District  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2013**

See accompanying independent auditor's report.

**Schedule 2**

**Pella Community School District  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Non-Major Governmental Funds  
Year Ended June 30, 2013**

	Special Revenue Funds		
	Management	Student Activity	Total
Revenues:			
Local sources:			
Local tax:			
Property tax	\$ 464,534	-	464,534
Utility tax replacement excise tax	4,896	-	4,896
Mobile home tax	310	-	310
	469,740	-	469,740
Other local sources:			
Interest on investments	2,022	1,881	3,903
Student activities	-	666,044	666,044
Other	-	54,503	54,503
	2,022	722,428	724,450
	471,762	722,428	1,194,190
State sources:			
Revenue in lieu of taxes :			
Military credit	152	-	152
Total revenues	471,914	722,428	1,194,342
Expenditures:			
Current:			
Instruction:			
Regular	360,738	-	360,738
Other	-	702,712	702,712
	360,738	702,712	1,063,450
Support services:			
Student services	996	-	996
Instructional staff services	597	-	597
Administration	6,179	-	6,179
Operation and maintenance of plant	141,136	-	141,136
Student transportation	32,293	-	32,293
	181,201	-	181,201
Total expenditures	541,939	702,712	1,244,651
Excess (deficiency) of revenues over (under) expenditures	(70,025)	19,716	(50,309)
Fund balances beginning of year	370,261	248,026	618,287
Fund balances end of year	\$ 300,236	267,742	567,978

See accompanying independent auditor's report.

**Schedule 3**

**Pella Community School District  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
Year ended June 30, 2013**

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Booster/PTO Concessions	\$ 6,615	83,008	59,359	30,264
HS Drama	43	11,352	8,892	2,503
HS Speech	-	5,462	5,462	-
HS Debate	-	641	641	-
HS Vocal	21,098	77,536	71,665	26,969
HS Instr. Music	-	22,492	19,876	2,616
Marching Dutch Invitational	8,326	16,943	13,530	11,739
HS Instr. Music Fundraiser	9,735	9,403	16,248	2,890
Orchestra Trip Account	55	26,579	26,634	-
Orchestra	-	4,909	4,909	-
Vocal Music Trip Account	5,253	1,632	-	6,885
Band Uniform	31,348	13,465	8,565	36,248
Athletics	-	43,738	43,738	-
HS Boys Bask.	-	11,654	11,654	-
HS Football	-	28,370	28,370	-
HS Boys Soccer	-	7,505	7,505	-
HS Baseball	-	2,784	2,784	-
HS Track	-	1,444	1,444	-
HS Boys Cross Country	-	1,427	1,427	-
HS Boys Tennis	-	512	512	-
HS Boys Golf	-	398	398	-
HS Boys Swimming	-	-	-	-
HS Wrestling	-	4,522	4,522	-
HS Girls Basketball	-	8,259	8,259	-
HS Volleyball	-	4,917	4,917	-
HS Girls Soccer	-	9,602	9,602	-
HS Softball	-	3,063	3,063	-
HS Girls Track	-	3,694	3,694	-
HS Girls Cross Country	-	704	704	-
HS Girls Tennis	-	140	140	-
HS Girls Golf	-	60	60	-
HS Girls Swimming	-	-	-	-
HS Activity Tickets	-	23,961	23,961	-
HS Miscellaneous Activity	2,981	20,188	23,169	-
Boys Basketball Club	3,136	3,238	3,326	3,048
HS Football Club	75	2,589	222	2,442
Boys Soccer Club	5,513	5,504	6,030	4,987
Baseball Club	9,500	15,796	13,116	12,180
Boys Track Club	-	1,513	1,319	194
Cross Country Club	710	7,898	2,846	5,762
Tennis Club	1,278	934	1,886	326
Boys Golf Club	-	103	-	103
Wrestling Club	271	3,397	3,480	188
Girls Basketball Club	1,483	5,260	6,712	31
Volleyball Club	1,619	79	785	913
Girls Soccer Club	680	6,486	6,328	838
Softball Club	2,133	9,827	7,327	4,633
Girls Track Club	2,242	869	1,448	1,663
Girls Golf Club	51	-	-	51
Drill Team	4,647	35,641	35,774	4,514
HS Cheerleaders	768	6,198	6,026	940
FFA	13,062	20,511	22,774	10,799
FCS	10,366	6,326	3,514	13,178
Humanities	645	-	-	645

**Schedule 3**

**Pella Community School District  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
Year ended June 30, 2013**

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Technology Student Association	4,764	1,466	1,119	5,111
National Honor Society	77	149	-	226
Pep Club	406	-	128	278
HS PE Heart Club	1,496	-	-	1,496
HS Vending	3,238	1,854	1,250	3,842
HS Testing	3,234	7,942	1,231	9,945
French Club	1,612	-	-	1,612
Pella Connection Club	1,339	-	-	1,339
HS Student Council	502	1,450	1,490	462
Class of 2011	1,787	-	1,787	-
Class of 2012	-	-	-	-
Class of 2013	4,100	-	4,100	-
Class of 2014	147	3,626	181	3,592
Class of 2015	1,014	-	(1,500)	2,514
Class of 2016	-	1,787	-	1,787
Class of 2017	-	5,251	3,041	2,210
Publications	52,598	32,849	67,027	18,420
HS Weight Club	1,811	1,050	422	2,439
Student Help Center	-	95	95	-
Interest	1,265	1,880	2,091	1,054
After Prom Club	3,632	11,806	11,870	3,568
Football Parents	5,998	17,337	22,633	702
MS Vocal Music	2,585	8,686	6,501	4,770
MS Instrumental Music	462	3,650	1,270	2,842
MS Athletics	-	-	-	-
MS Boys Basketball	-	2,229	2,229	-
MS Football	-	2,029	2,029	-
MS Boys Track	-	883	883	-
MS Wrestling	-	465	465	-
MS Girls Basketball	-	2,398	2,398	-
MS Volleyball	-	4,328	4,328	-
MS Softball	-	17	17	-
MS Girls Track	-	988	988	-
MS Activity Tickets	-	1,695	1,695	-
MS Library/Book Fair	-	6,122	6,040	82
MS History Day Club	21	-	-	21
MS Gifted and Talented	250	233	-	483
MS Publications	1,702	3,017	4,072	647
MS Student Council	1,483	243	275	1,451
MS Activity	4,230	5,940	4,377	5,793
MS Home Ec	860	426	751	535
MS Language Arts	112	-	-	112
MS Social Studies	304	-	-	304
MS AR Store	69	-	-	69
Lincoln Elementary	923	2,034	2,957	-
Madison Elementary	2,087	2,066	1,666	2,487
Jefferson Elementary	186	3,904	4,090	-
Jefferson Recycling	99	-	99	-
Totals	\$ 248,026	722,428	702,712	267,742

See accompanying independent auditor's report.

**Pella Community School District**  
**Combining Balance Sheet**  
**Capital Project Accounts**  
**June 30, 2013**

		Capital Projects		
		Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Project Funds
		Total		
<b>Assets</b>				
Cash and pooled investments		\$ 1,997,059	346,799	90,017
Receivables:				
Property tax:				
Current year delinquent		-	3,742	-
Succeeding year		-	723,513	-
Due from other governments		555,026	16	-
<b>Total assets</b>		<b>\$ 2,552,085</b>	<b>1,074,070</b>	<b>90,017</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable		\$ -	13,860	-
Deposits payable		-	-	90,000
Deferred revenue:				
Succeeding year property tax		-	723,513	-
Total liabilities		-	737,373	90,000
Fund balances:				
Restricted for:				
Debt service		388,500	-	-
School infrastructure		2,163,585	-	-
Physical plant and equipment		-	336,697	17
Total fund balances		2,552,085	336,697	17
<b>Total liabilities and fund balances</b>		<b>\$ 2,552,085</b>	<b>1,074,070</b>	<b>90,017</b>

See accompanying independent auditor's report.

**Pella Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Capital Project Accounts**  
**Year ended June 30, 2013**

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Project Funds	
Revenues:				
Local sources:				
Local tax:				
Property tax	\$ -	688,359	-	688,359
Utility tax replacement excise tax	-	6,709	-	6,709
Mobile home tax	-	425	-	425
Statewide sales, services and use tax	2,045,168	-	-	2,045,168
	2,045,168	695,493	-	2,740,661
Other local sources:				
Interest on investments	11,139	1,100	17	12,256
Other	-	10,143	-	10,143
	11,139	11,243	17	22,399
	2,056,307	706,736	17	2,763,060
State sources:				
Revenue in lieu of taxes :				
Military credit	-	209	-	209
Total revenues	2,056,307	706,945	17	2,763,269
Expenditures:				
Current:				
Instruction:				
Regular instruction:				
Property	945,897	138,247	-	1,084,144
Total instruction	945,897	138,247	-	1,084,144
Support Services:				
Instructional staff services:				
Property	-	19,645	-	19,645
Administration:				
Services	-	8,078	-	8,078
Supplies	-	57,122	-	57,122
Property	-	86,999	-	86,999
	-	152,199	-	152,199
Operation and maintenance of plant services:				
Property	-	105,936	-	105,936
Transportation services:				
Property	-	52,735	-	52,735
Total support services	-	330,515	-	330,515
Other expenditures:				
Facilities acquisition and construction:				
Services	-	162,920	-	162,920
Property	-	1,000	-	1,000
Other	-	680	-	680
	-	164,600	-	164,600
Total expenditures	945,897	633,362	-	1,579,259
Excess (deficiency) of revenues over (under) expenditures	1,110,410	73,583	17	1,184,010
Other financing uses:				
Capital lease	945,897	-	-	945,897
Operating transfers out	(1,082,560)	-	-	(1,082,560)
	(136,663)	-	-	(136,663)
Excess of revenues over expenditures and other financing uses	973,747	73,583	17	1,047,347
Fund balances beginning of year	1,578,338	263,114	-	1,841,452
Fund balances end of year	\$ 2,552,085	336,697	17	2,888,799

See accompanying independent auditor's report.



**Schedule 6**
**Pella Community School District**  
**Combining Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

	Non-major Enterprise Funds		
	Community Services	Nutrition Services	Total
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 11,216	405,761	416,977
Inventories	-	21,924	21,924
Prepaid expense	-	4,066	4,066
Total current assets	11,216	431,751	442,967
Noncurrent assets:			
Property and equipment:			
Machinery and equipment	-	1,053,840	1,053,840
Accumulated depreciation	-	(861,864)	(861,864)
Total noncurrent assets	-	191,976	191,976
<b>Total assets</b>	<b>\$ 11,216</b>	<b>623,727</b>	<b>634,943</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ -	9,729	9,729
Salaries and benefits payable	-	630	630
Total current liabilities	-	10,359	10,359
Noncurrent liabilities:			
Other postemployment benefits	-	47,998	47,998
<b>Total liabilities</b>	<b>-</b>	<b>58,357</b>	<b>58,357</b>
<b>Net Position</b>			
Invested in capital assets, net of related debt	-	191,976	191,976
Unrestricted	11,216	373,394	384,610
<b>Total Net Position</b>	<b>11,216</b>	<b>565,370</b>	<b>576,586</b>
<b>Total liabilities and Net Position</b>	<b>\$ 11,216</b>	<b>623,727</b>	<b>634,943</b>

See accompanying independent auditor's report.

**Schedule 7**

**Pella Community School District  
Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
Year Ended June 30, 2013**

	Non-major Enterprise Funds		
	Community Services	Nutrition Services	Total
Operating revenues:			
Local sources:			
Other local sources:			
Community service tuition and fees	\$ 41,658	-	41,658
Sale of lunches and breakfasts	-	725,882	725,882
Other service revenue	1,397	821	2,218
Total operating revenues	43,055	726,703	769,758
Operating expenses:			
Non-instructional programs:			
Community service operations:			
Salaries	28,928	-	28,928
Benefits	4,721	-	4,721
Services	982	-	982
Supplies	19,273	-	19,273
	53,904	-	53,904
Food services operations:			
Salaries	-	363,993	363,993
Benefits	-	145,760	145,760
Services	-	27,378	27,378
Supplies	-	549,998	549,998
Other	-	12,105	12,105
Depreciation	-	36,701	36,701
	-	1,135,935	1,135,935
Total operating expenses	53,904	1,135,935	1,189,839
Operating loss	(10,849)	(409,232)	(420,081)
Non-operating revenues:			
Interest income	56	1,356	1,412
Operating grants and donations	-	-	-
State lunch and breakfast program claims	-	8,887	8,887
National School Lunch Program	-	237,316	237,316
School Breakfast Program	-	25,401	25,401
Food distribution	-	55,306	55,306
Total non-operating revenues	56	328,266	328,322
Increase(Decrease) in Net Position	(10,793)	(80,966)	(91,759)
Net Position beginning of year	22,009	646,336	668,345
Net Position end of year	\$ 11,216	565,370	576,586

See accompanying independent auditor's report.

**Schedule 8**

**Pella Community School District  
Combining Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2013**

	Non-major Enterprise Funds		
	Community Services	Nutrition Services	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ -	725,882	725,882
Cash received from service tuition, fees and other sources	43,055	821	43,876
Cash payments to employees for services	(33,649)	(507,772)	(541,421)
Cash payments to suppliers for goods or services	(20,294)	(516,917)	(537,211)
Net cash used by operating activities	(10,888)	(297,986)	(308,874)
Cash flows from non-capital financing activities:			
Operating grants and contributions	-	-	-
State grants received	-	8,887	8,887
Federal grants received	-	262,717	262,717
Net cash provided by operating activities	-	271,604	271,604
Cash flows from capital and related financing activities:			
Acquisition of capital assets	-	(12,149)	(12,149)
Net cash used by capital and related financing activities	-	(12,149)	(12,149)
Cash flows from investing activities:			
Interest on investments	56	1,356	1,412
Proceeds from maturity of investments	-	-	-
Purchase of investments	-	(11,768)	(11,768)
Net cash provided by investing activities	56	(10,412)	(10,356)
Net increase in cash and cash equivalents	(10,832)	(48,943)	(59,775)
Cash and cash equivalents at beginning of year	22,048	405,255	427,303
Cash and cash equivalents at end of year	\$ 11,216	356,312	367,528
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (10,849)	(409,232)	(420,081)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities	-	55,306	55,306
Depreciation	-	36,701	36,701
Decrease in inventories	-	12,300	12,300
Decrease in prepaid expense	-	4,441	4,441
Increase in accounts payable	(39)	4,958	4,919
(Decrease) in salaries and benefits payable	-	(14,565)	(14,565)
Increase in other postemployment benefits payable	-	12,105	12,105
Net cash used by operating activities	\$ (10,888)	(297,986)	(308,874)

**Schedule 8****Pella Community School District  
Combining Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2013**

	Non-major Enterprise Funds		
	Community Services	Nutrition Services	Total
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>			
Current assets:			
Cash and investments	\$ 11,216	405,761	416,977
Less items not meeting definition of cash equivalents:			
Investments	-	(49,449)	(49,449)
Cash and cash equivalents at year end	<u>\$ 11,216</u>	<u>356,312</u>	<u>367,528</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2013, the District received federal commodities valued at \$55,306.

See accompanying independent auditor's report.

## Schedule 9

**Pella Community School District**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Ten Years**

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 12,176,769	11,418,696	10,462,055	10,316,935	9,924,433	8,759,431	8,331,502	8,227,665	7,744,098	7,073,282
Tuition	894,493	880,470	662,720	696,529	614,100	498,004	623,795	592,952	601,419	489,605
Other	1,109,041	1,193,265	1,234,151	1,065,637	948,695	1,041,828	1,358,267	1,501,637	755,499	672,917
Intermediate sources	-	30,346	29,017	54,462	41,897	18,785	37,523	18,082	15,000	15,000
State sources	11,542,976	11,393,402	10,597,204	8,834,772	10,489,005	10,318,253	9,168,676	8,531,765	7,999,448	7,781,624
Federal sources	559,196	677,010	1,482,236	1,014,007	717,166	477,670	424,983	521,521	430,845	446,378
Total	<u>\$ 26,282,475</u>	<u>25,593,189</u>	<u>24,467,383</u>	<u>21,982,342</u>	<u>22,735,296</u>	<u>21,113,971</u>	<u>19,944,746</u>	<u>19,393,622</u>	<u>17,546,309</u>	<u>16,478,806</u>
Expenditures:										
Instruction:										
Regular	\$ 9,841,345	8,595,515	8,252,456	8,120,373	8,052,519	7,476,168	6,830,022	6,329,880	6,275,810	6,321,718
Special	2,850,721	2,643,627	2,480,176	2,361,109	2,332,868	2,344,069	2,028,208	1,781,523	2,183,808	2,062,595
Other	3,054,646	2,994,676	3,169,367	2,708,732	2,273,264	2,001,692	1,961,808	1,922,355	1,207,063	1,285,721
Support services:										
Student	506,928	394,164	365,025	385,386	412,003	386,123	302,002	306,129	325,470	499,204
Instructional staff	1,137,848	1,241,138	958,151	676,907	661,268	753,039	762,889	809,570	794,337	677,684
Administration	1,821,709	1,949,057	1,626,341	1,954,006	1,737,873	1,634,630	1,462,779	1,643,583	1,284,737	1,136,764
Operation and maintenance of plant services	2,156,112	1,954,464	1,904,435	1,759,611	1,809,861	1,847,350	1,706,062	1,675,658	1,489,740	1,639,083
Transportation	1,084,364	845,468	901,297	992,893	1,031,167	1,113,573	1,130,895	1,028,477	693,693	699,316
Non-instructional programs	-	-	-	-	-	-	-	-	296	16,086
Other expenditures:										
Facilities acquisition	164,600	304,445	390,406	2,972,609	1,989,527	2,849,534	9,094,847	4,020,376	1,760,941	597,119
Long-term debt:										
Principal	2,054,319	1,685,000	1,610,000	1,460,000	4,265,000	1,170,000	1,115,000	1,070,000	995,000	805,000
Interest and other charges	791,556	764,835	696,153	757,001	772,857	833,430	891,941	931,550	386,050	368,831
AEA flowthrough	832,321	818,473	887,814	856,878	781,173	732,846	660,488	610,764	586,232	592,881
Total	<u>\$ 26,296,469</u>	<u>24,190,862</u>	<u>23,241,621</u>	<u>25,005,505</u>	<u>26,119,380</u>	<u>23,142,454</u>	<u>27,946,941</u>	<u>22,129,865</u>	<u>17,983,177</u>	<u>16,702,002</u>

See accompanying independent auditor's report

**Schedule 10**
**Pella Community School District**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2013**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 13	\$ 25,401
National School Lunch Program	10.555	FY 13	292,622 *
			<u>318,023</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 13	<u>128,563</u>
Vocational Education - Basic Grants to States	84.048	FY 13	<u>26,764</u>
Improving Teacher Quality State Grants	84.367	FY 13	<u>55,844</u>
Grants for State Assessments and Related Activities	84.369	FY 13	<u>13,070</u>
ARRA - Education Jobs Fund	84.410	FY 13	<u>121,831</u>
Area Education Agency (AEA 11):			
Special Education - Grants to States	84.027	FY 13	<u>130,003</u>
Total			<u>\$ 794,098</u>

\* Includes \$55,306 of non-cash rewards.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Pella Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Education of Pella Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Pella Community School District, Pella, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pella Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pella Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pella Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pella Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part IV of the Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Pella Community School District's Responses to Findings

Pella Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Pella Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Pella Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

October 28, 2013





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**Van Maanen, Sietstra & Meyer, PC**

CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Compliance for Each Major Federal Program,  
on Internal Control over Compliance and on the Schedule of Expenditures  
of Federal Awards Required by OMB Circular A-133**

To the Board of Education of Pella Community School District:

Report on Compliance for Each Major Federal Program

We have audited Pella Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Pella Community School District's major federal programs for the year ended June 30, 2013. Pella Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pella Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pella Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Pella Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Pella Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of Pella Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pella Community School District's internal control over compliance with type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in

accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pella Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a material weakness.

Pella Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Pella Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

October 28, 2013

**Part I: Summary of the Independent Auditor's Results**

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Child Nutrition Cluster:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
  - CFDA Number 84.410– ARRA – Education Jobs Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Pella Community School District did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

II-A-13 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, expenditures are recorded and checks are prepared by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

**Part III: Findings and Questioned Costs for Federal Awards**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

**CFDA Number 10.553: School breakfast Program**  
**CFDA Number 10.555: National School Lunch Program**  
**Federal Award Year: 2013**  
**U.S. Department of Agriculture**  
**Passed through the Iowa Department of Education**

**CFDA Number 84.410: ARRA – Education Jobs Fund**  
**Federal Award Year: 2013**  
**U.S. Department of Education**  
**Passed through the Iowa Department of Education**

III-A-13 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, expenditures are recorded and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

**Part IV: Other Findings Related to Required Statutory Reporting**

IV-A-13 Certified Budget - Expenditures for the year ended June 30, 2013, exceeded the certified budget amounts in the instruction, support services, non instructional programs and other expenditures functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted

IV-B-13 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

**Pella Community School District**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2013**

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- IV-D-13 Business Transactions - Business transactions between the District and District officials or employees for the year ended June 30, 2013 are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jim Emmert, Teacher Owner of Dr. E, Unlimited	Sound Tech Services	\$ 589
Chris Wimmer, Maintenance Director Owner of Wimmer Construction	Hammer Drill	\$625
Jason Pentico, Band Director Owner of Pentico Marching Innovations	Sound Equipment Rental	\$200

None of the transactions appear to be a conflict of interest and they appear to be in compliance with board policies.

Recommendation - The District may want to consult legal counsel to determine disposition of this matter.

Response - We will consider the need to consult with legal counsel.

Conclusion - Response accepted.

- IV-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

- IV-F-13 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

- IV-G-13 Certified Enrollment - A variance in the basic enrollment data certified to the Iowa Department of Education was noted.

Recommendation - The certified enrollment data should be corrected for students who exit the District.

Response - We will correct the certified enrollment in the future for students exiting the system.

Conclusion - Response accepted.

- IV-H-13 Supplementary Weighting - The supplementary weighting certified to the Iowa Department of Education contained errors regarding students enrolled in community college supplemental programs.

Recommendation - The District should contact the Department of Education to resolve this problem.

Response - We have contacted the Department of Education to resolve this problem.

Conclusion - Response accepted.

- IV-I-13 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

- IV-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

- IV-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

**Pella Community School District**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2013**

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- IV-L-13     Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,578,338
Revenues/transfers in:			
Sales tax revenues	\$	2,045,168	
Other local revenues		11,139	
Capital lease		945,897	3,002,204
			<u>4,580,542</u>
Expenditures/transfers out			
Construction services		945,897	
Transfers to other funds:			
Debt service funds		1,082,560	2,028,457
			<u>2,028,457</u>
Ending balance		\$	<u><u>2,552,085</u></u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.